HOW TO LINK TEAM BUILDING TO BUSINESS IMPROVEMENT AND ROI

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Most team-building sessions focus on a specific problem or opportunity within the team (or at least they should). This problem or opportunity is often expressed as a business need and the team building intervention is designed to improve business performance, expressed as productivity, quality, cycle time, efficiency, job satisfaction, customer satisfaction, or any specific measure where improvement is needed. When the team building activity is complete and the results are monitored, it is often difficult to determine how much of the team's performance improvement is actually related to the team building process. Also, to develop the ROI, the monetary value of the improvement is needed to compare to the cost of the team building process. This situation represents two of the most important challenges facing the measurement of the impact of team building. The technique described in this paper represents a credible way to meet these challenges and develop the business impact of team building.

CHALLENGES

The first challenge is linking the actual team building to business improvement. This issue, often labeled "Isolating the Effects of Team Building" can be tackled in several ways. The approach described here is feasible in most settings and may be the low cost approach in all settings. The second major challenge is converting the business improvement to a monetary value so that the first year of monetary benefits can be developed for the team building process. This monetary value must be expressed as a "value add" so it can be compared directly to the cost of the team building to generate the ROI.

ASSUMPTIONS

When using this technique, several assumptions are made.

1. A team building process has been conducted with a variety of different activities, exercises, and learning opportunities all focused on improving team performance.
2. One or more business measures have been identified prior to the team building process and have been monitored following the

process. Data monitoring has revealed an improvement in the business measure.

3. There is a need to link the team building to the specific amount of performance improvement and develop the monetary impact of the improvement. This information forms the basis for calculating the actual ROI.

With these assumptions, the team members can pinpoint the actual results linked to the team building process and provide data necessary to develop the ROI. This can be accomplished using the method presented here.

FOCUS GROUP PROCESS AND TASK

The focus group works extremely well for this challenge if the group size is relatively small – in the 8-12 range. If the group is much larger, the teams should be divided into multiple groups. Focus groups provide the opportunity for group members to share information equally, avoiding domination by any one individual. The process taps the input, creativity, and reactions of the entire group.

The meeting should take about one hour (slightly more if there are multiple factors affecting the results or there are multiple business measures). The facilitator should be neutral to the process, (i.e., the same individual conducting the team building session should not conduct this focus group.) Focus group facilitation and input must be objective.

The first task is to link the business results of the team building session to business performance. The group is presented with the improvement and they provide input on isolating the effects of team building. The second task is to convert the data to monetary value, if participants are capable of providing input.

ISOLATING THE EFFECTS OF TEAM BUILDING

The following steps are recommended to arrive at the most credible value for team building impact.

1. *Explain the task*. The task of the focus group meeting is outlined. Participants should understand that there has been improvement in team performance. While many factors could have contributed to the performance, the primary task of this group is to determine how much of the improvement is related to team building. Also, the second task (optional) is to determine the actual monetary contribution of the improvement.
2. *Discuss the rules*. Each participant should be encouraged to provide input, limiting his or her comments to two minutes (or less) for any specific issue. Comments are confidential and will not be linked to a specific individual.

3. *Explain the importance of the process*. The participant's role in the process is critical. Because it is their performance that has improved, the participants are in the best position to indicate what has caused this improvement; they are the experts in this determination. Without quality input, the contribution of this team building session (or any other processes) may never be known.
4. *Select the first measure and show the improvement*. Using actual data show the level of performance prior to and following the team building process; in essence, the change in business results – the Δ – is reported.
5. *Identify the different factors that have contributed to the performance*. Using input from experts – others who are knowledgeable about the improvements – identify the factors that have influenced the improvement (e.g., the volume of work has changed, a new system has been implemented, or technology has been enhanced). If these are known, they are listed as the factors that may have contributed to the performance improvement.
6. *The group is asked to identify other factors that have contributed to the performance*. In some situations, only the team members know other influencing factors and those factors should surface at this time.
7. *Discuss the linkage*. Taking each factor one at a time, the team members individually describe the linkage between that factor and the business results. For example, for team building, the participants would describe how the team building process has driven the actual improvement by providing examples, anecdotes, and other supporting evidence. Participants may require some prompting to provide comments. If they cannot provide dialogue of this issue, there's a good chance that that factor had no influence.
8. *The process is repeated for each factor*. Each factor is explored until all the participants have discussed the linkage between all the factors, and the business performance improvement. After this linkage has been discussed, the participants should have a clear understanding of the cause and effect relationship between the various factors and the business improvement.
9. *Allocate the improvement*. Participants are asked to allocate the percent of improvement to each of the factors discussed. Participants are provided a pie chart, which represents a total amount of improvement for the measure in question, and are asked to carve up the pie, allocating the percentages to different improvements with a total of 100%. Some participants may feel uncertain with this process, but should be encouraged to complete this step using their best estimate. Uncertainty will be addressed later in the meeting.
10. ***Provide a confidence estimate***. The participants are then asked to review the allocation percentages and, for each one, estimate their level of confidence in the allocation estimate. Using a scale of 0-100%, where 0% represents no confidence and 100% is certainty,

participants express their level of certainty with their estimates in the previous step. A participant may be more comfortable with some factors than others so the confidence estimate may vary. This confidence estimate serves as a vehicle to adjust results.

11. *Participants are asked to multiply the two percentages*. For example, if an individual has allocated 35% of the improvement to team building and is 80% confident, he or she would multiply 35% X 80%, which is 28%. In essence, the participant is suggesting that at least 28% of the teams' business improvement is linked to the team building process. The confidence estimate serves as a conservative discount factor, adjusting for the error of the estimate. The pie charts with the calculations are collected without names and the calculations are verified. Another option is to collect pie charts and make the calculations for the participants.
12. *Report results*. If possible, the average of the adjusted values for the group is developed and communicated to the group. Also, the summary of all of the information should be communicated to the team as soon as possible.

CONVERTING DATA TO MONETARY VALUE

The next phase of the focus group, converting the data to monetary values, may be optional. The method for this conversion can vary considerably, depending on the type of data and availability of standard values. For some measures, the values are already known and are available as standard, accepted values. For example, cycle time reductions, process improvement measures, and productivity measures may have values already established to reflect the cost savings attributed to the individual measure. In most cases, one of the following processes could be used to arrive at this value:

1. Access a standard value already developed for the purpose (e.g., the profit margin for another sale).
2. Calculate the value based on cost records (e.g., the cost of an accident may already exist in the organization's records).
3. Use an external database, representing work of others (e.g., the cost of turnover is 1.5 times the annual salary for sales representatives).
4. Use expert input, externally or internally (e.g., the labor relations staff estimates the cost of a grievance).
5. Obtain private input directly from a user group, such as customers.

If the value cannot be developed using one of these methods, then the group should provide input for this value using the same steps outlined above. The team members would discuss ways in which the values could be developed and then the actual value would be estimated during group discussion. The values would then be

adjusted for their own level of confidence, using the process outlined above. This unit value is the monetary benefit for the business measure, based on the collective input from the group. Converting data to monetary values should be explored with the group only if they can provide credible input to the value of the data.

DATA ANALYSIS

The data are now ready for analysis and calculation of the monetary value of the improvement. For each measure, the total amount of team performance is tabulated and adjusted for the isolation factor determined above. Next, the total amount is multiplied by the monetary value of the measure to arrive at a total monetary value of the improvement in the business measure. For example, suppose the team is involved in determining the materials, requirements, specifications, and estimations for a service order. It *had* been taking an average of 3.4 hours to process each order. Through team building activities, focusing on how the team could improve this measure, the time has been reduced to 2.1 hours – an improvement of 1.3 hours. The 15-member team focuses all their efforts on these orders and completes 20 per day. In the focus group meeting, the team indicated that 48% of the team results were attributed to team building (when adjusted for the potential error of the estimate as described above). Also, a standard value of $50 per hour has been accepted as the cost of processing the work orders when considering all the costs, direct and indirect (salaries, office, equipment, overhead, etc.). The team works a total of 250 days. The total improvement, therefore, would be:

Total first year timesavings in hours:

20 orders X 1.3 hours X 250 days worked = 6,500 hours

Amount attributed to team building:

6,500 X 48% = 3,120 hours

Monetary value:

3,120 hours X $50/hour = $156,000

This is the first year monetary benefit for the improvement in this specific measure. If other measures have been influenced, their improvement would be calculated in the same way. A first-year value is used for short-term solutions as a standard. Longer periods may be necessary for a program that would take multiple months for implementation. The important point is to take a very short, conservative time frame for total analysis, using at least one year as a standard.

This analysis begins with facts and reports the data in a very conservative way. Although estimates are used, they are only used in

the isolation of the impact of team building and then adjusted for the potential error of the estimate.

PRESENTING THE DATA

A key issue in this process is presenting the data to interested groups. Normally, this type of data is presented to the team, management above the team level, the sponsor for the program, and the OD, team building, or training/development staff – those who organize and conduct the process. When presenting results to the management team, credibility is a concern. The process model used to capture the data should be described along with an explanation of the conservative approach used in the analyses. It is important to emphasize that some technique must be used to isolate the effects of team building; otherwise, the linkage between team building and business results will not be known. The method of converting data to monetary value is described and involves getting to the value in the most credible and cost-effective way.

In short, the communication should follow this sequence:

1. Discuss the team building and what it was intended to achieve.
2. Describe the model used to capture and analyze data throughout the process.
3. Review the conservative assumptions used in the data analysis
4. Briefly describe the reaction to the team building process (Level 1)
5. Describe the team and individual learning (Level 2 – new skills and knowledge)
6. Present team behavior change (Level 3 – what are they doing differently)
7. Present business impact (Level 4 – changes in business measures)
8. Show methods of isolation and conversion
9. Present intangibles and explain how they are developed
10. Identify barriers and enablers to success
11. Present conclusions and recommendations

When business impact data are reported, it is important to focus on how the isolation was accomplished, showing the process and technique (including the conservative nature of the process), and the actual method for converting data to monetary values. These two adjustments essentially discount the results, recognizing that other processes often have an important part in driving business measures.

SUMMARY

This paper describes a technique that uses estimates to isolate the effect of team building on business results, and team input on

converting data to monetary value. This is a very credible process and is the preferred approach with many organizations. It is a low cost solution because it requires very little resources to accomplish; sometimes it is used because it is the only method available. Other, more sophisticated and analytical methods such as control groups and times series analysis may not be appropriate or feasible.

Resources

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